

Introduction

Many of Asia's large cities have served as centers of international trade for centuries. As a result, most have urban cores replete with buildings, artifacts, and other features of historical and cultural value. However, many of these living museums fell into disrepair during the 20th century, often as an unintended by-product of rapid urbanization.

As exemplified throughout Asia, rapid urban growth leads to the collapse of historic urban cores in large cities when urbanization occurs at a more rapid pace at the urban periphery than in the city center. In the People's Republic of China, a visit to the historic urban cores of Beijing and Shanghai reveals this pattern, as does Jaipur, Jaisalmer, Jodhpur, New Delhi, and Udaipur in India. The same is true of Jakarta and Semarang in Indonesia; Malacca and Penang in Malaysia; Yangon in Myanmar; Bahktapur, Kathmandu, and Patan in Nepal; Lahore in Pakistan; Cebu, Manila, and Vigan in the Philippines; and Ha Noi, Ho Chi Minh City, and Hoi An in Viet Nam.

From the perspective of economic efficiency, neglect of these historic urban centers represents a foregone opportunity for economic growth. Their revitalization, including upgrading of the infrastructure that serves them, increases not only the value of the real estate on which they stand, but likewise their attractiveness to commerce, tourism, and trade. Unlike agriculture, all are important factors in poverty reduction and are capable of creating employment that absorbs vast amounts of labor but uses little of a country's land resource, which is fixed in supply.

Asia's historic urban centers likewise represent compelling opportunities for public-private



partnership investment projects. From the point of view of the private sector, these investments are desirable because of their profitability. From the public sector perspective, such investments are efficient because they multiply many times over the development impact of each unit of government expenditure. Revitalizing Asia's historic urban centers thus makes sense from numerous perspectives, including economic efficiency; promotion of commerce, tourism, and trade; employment creation; poverty reduction; and the strengthening of civic and national pride.

The Asian Development Bank (ADB) recognizes the potential of the historic urban cores of Asia's cities to contribute to economic growth, and as a result, included their revitalization as one of many facets of its urban development strategy.³ ADB likewise recognizes that the rapid economic growth that many of Asia's large cities have experienced in recent decades has been sufficient in scope and impact to enable Asia's urban centers to become clients of not only public-private partnership investments, but subsovereign lending instruments as well.

ADB's Innovation and Efficiency Initiative thus includes numerous subsovereign financing instruments well suited to the purpose of revitalization of historic urban centers, since many of them support lending to the private sector.⁴ Examples include equity funding and guarantees, multitranches lending, and local currency loans. Such financing vehicles help open the door not only to revitalization of the historic urban cores of Asia's great cities, but also to the economic benefits that such revitalization bestows. Further, these vehicles help strengthen the role of government as facilitator rather than provider and emphasize the private sector as the main driver of investment in historic inner-city areas.

The chief purpose of this publication is to stimulate discussion with ADB's developing member country governments regarding investment in the revitalization of the historic urban cores of Asia's great cities. For the reasons cited previously, such urban renewal efforts are likely to pay generous dividends in terms of economic growth. Similarly, since such investments are best implemented through the motive force of private investment, they can rightly be considered a component of government policy that encourages expansion of private sector activity within the countries and economies concerned. Urban revitalization initiatives thus warrant serious consideration by developing member country policy makers.

³ ADB. 2005. *Urban Development Strategy*. Manila.

⁴ ADB. 2005. *Innovation and Efficiency Initiative*. Manila.